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SUBJECT: One Maquila Improves Working Conditions in
Anticipation of U.S. NGO Accusations

[1](#)1. Summary: In a June 22 press conference, the U.S. NGO National Labor Committee's (NLC's) Director Charles Kernaghan alleged mistreatment of workers in a Honduran maquila that supplies Reebok's NBA and NFL jerseys, a charge that the GOH and Honduran businesses quickly denied, pointing to union and wage agreements in place. The story is somewhat more complex, however, as these agreements on unionization and overtime compensation were apparently reached only following intervention by Reebok's lawyers after the NLC's plant visit, but before his press conference. The Honduran government and Honduran Manufacturer's Association (AHM) both attributed the NLC attack on this company and others in the maquila sector to a political interest in trying to thwart CAFTA approval in the U.S. Congress. While each side seeks to maximize or minimize the impact of these allegations, Post views the incident instead as proof that CAFTA's labor provisions can work: civil society pressure and domestic labor enforcement in this instance identified and quickly remedied weak labor protections. End Summary.

[1](#)2. On Friday, June 22, Charles Kernaghan, Director of the U.S. nongovernmental organization National Labor Committee (NLC), held a press conference in New York City in front of an NBA retail store in Manhattan, where he condemned what he portrayed as sub-par working conditions in a Korean-owned Honduran maquila that assembles NBA and NFL jerseys for Reebok. Between May and July of 2005, The NLC interviewed dozens employees at Han-Soll, a Korean-owned maquila operating in the department of Santa Barbara, Honduras. The company employs 1,620 workers at two Honduran plants, sewing t-shirts, shorts, pants, dresses and skirts. NLC alleges that Han-Soll locked workers in a factory compound, underpaid workers, discriminated against pregnant workers, and did not recognize rights to organize. The NLC in its press conference also condemned paying workers 19 cents per jersey (about 65 cents per hour) when that jersey is sold in the U.S. for USD 75. (Note: Minimum wage in Honduras ranges from USD 3.25 to USD 5.19 per day, depending on sector. End note.)

[1](#)3. Honduran Manufacturer's Association (AHM) Executive Director Henry Fransen told EconOff that the allegations against Han-Soll, and a similar NLC investigation of a nearby American automotive parts company, Lear Automotive, were merely part of NLC's (and, by extension, organized labor's) effort against CAFTA. He said that all NLC's allegation of illegal treatment of workers were false. The AHM views Kernaghan's organization as an arm of U.S. unionized labor, and feels that the organization is focusing on Central America rather than China because it is convenient to do so while CAFTA is under review in the U.S. House of Representatives. In a press conference, AHM President Jesus Canahuati stated that the organization had been aware of the investigation conducted by NLC, and noted approvingly that Reebok had subsequently sent lawyers down to review the situation. He said that after this visit by Reebok lawyers, Han-Soll management and workers reached an agreement eliminating obligatory overtime and reached an agreement recognizing their right to unionize. NLC notes that in addition to this agreement, the company also eliminated obligatory overtime.

[1](#)4. The Ministers of Labor and Commerce told Post that, contrary to Kernaghan's allegations, the workforce in the plant is unionized, and receives overtime compensation for any overtime worked. Minister of Commerce Irving Guerrero denied to EconChief that Han-Soll had prevented unionization, saying that it was his understanding the union movement in the factory had not at first recruited enough members to be recognized under the law. Once they had done so, the union was recognized. Minister of Labor German

Leitzelar stressed that while overtime in the factories is common, his ministry is vigilant in ensuring that workers receive premium overtime compensation, as stipulated in the Honduran labor code. Some businesses do have labor problems, he said, but in this instance, the recent agreement between Han-Soll and workers assures resolution of any issues within the company. The Ministry of Labor also informed LabAtt that officials from the Korean Ministry of Labor had come to Honduras to visit the maquila and meet with Honduran Ministry of Labor officials to discuss the case, Honduran labor law, and the application of the law. He stated that this is further evidence of ongoing collaboration between NLC and Honduran labor leader Israel Salinas, and that NLC is also investigating a nearby American automotive parts company, Lear Automotive.

15. Israel Salinas, Secretary General of the CUTH labor federation, confirmed that the Han-Soll union belongs to his confederation. Salinas said that while there were definitely some problems, the CUTH considers the problems resolved. Salinas noted that the CUTH has an ongoing relationship with the NLC and supported their work in Honduras.

16. Comment: It seems to Post a reasonable assumption that the NLC's visit to Honduras prompted Reebok to force its supplier to clean up its act. It therefore strikes us as somewhat disingenuous for the AHM to claim that Kernaghan's claims were entirely false and purely politically motivated. It is equally disingenuous, however, for the NLC to conveniently ignore that the labor violations they alleged, to the extent they existed at the time of his visit, have already been rectified. Perhaps the most ironic aspect of the dueling press releases on this incident is the apparent failure by both sides to recognize that in this case the process seems to have worked. Civil society inspections of labor conditions revealed areas for improvement and the firm promptly moved to address them. This moral pressure exerted through the markets, in conjunction with strengthened enforcement and monitoring by Leitzelar's well-meaning but still understaffed Ministry of Labor, is precisely what gives CAFTA labor rules their teeth. Far from being an example of why CAFTA cannot work, this episode serves as an example of why CAFTA can.

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